

**FILED<sup>3</sup>**

DEC 20 2006

Missouri Public  
Service Commission

*Exhibit No.:*

*Issues: Storage Inventory,  
Uncollectible Expense in PGA,  
Gas cost tariff change*

*Witness: Phil S. Lock*

*Sponsoring Party: MoPSC Staff*

*Type of Exhibit: Direct Testimony*

*Case Nos: GR-2006-0387*

*Date Testimony Prepared: September 13, 2006*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**PHIL S. LOCK**

**ATMOS ENERGY CORPORATION**

**CASE NO. GR-2006-0387**

*Jefferson City, Missouri  
September 2006*

STAFF Exhibit No. 133  
Case No(s) GR-2006-0387  
Date 11-30-06 Rptr PF

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Atmos Energy Corporation's Tariff )  
Revision Designed to Consolidate Rates and )  
Implement a General Rate Increase for Natural Gas )  
Service in the Missouri Service Area of the )  
Company.

Case No. GR-2006-0387

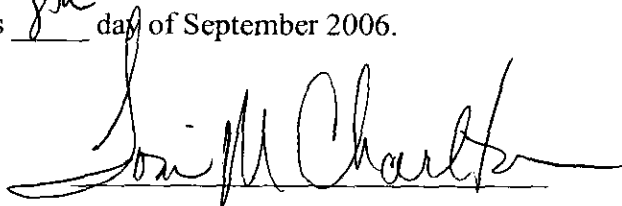
**AFFIDAVIT OF PHIL S. LOCK**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Phil S. Lock, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Phil S. Lock

Subscribed and sworn to before me this 8th day of September 2006.

  
\_\_\_\_\_



TONI M. CHARLTON  
Notary Public - State of Missouri  
My Commission Expires December 28, 2008  
Cole County  
Commission #04474301

1  
2  
3  
4  
5  
6  
7  
8  
9

**TABLE OF CONTENTS**

**DIRECT TESTIMONY**

**OF**

**PHIL S. LOCK**

**ATMOS ENERGY CORPORATION**

**CASE NO. GR-2006-0387**

STORAGE INVENTORY .....	3
UNCOLLECTIBLES.....	4
GAS COST TARIFF CHANGE.....	6

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**DIRECT TESTIMONY**  
**OF**  
**PHIL S. LOCK**  
**ATMOS ENERGY CORPORATION**  
**CASE NO. GR-2006-0387**

Q. Please state your name and business address.

A. Phil S. Lock, P.O. Box 360, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor III with the Missouri Public Service Commission  
(Commission).

Q. Please describe your educational background.

A. I attended Central Missouri State University at Warrensburg, Missouri, and  
received a Bachelor of Science degree in Business Administration, with a major in Finance in  
May 1980 and a major in Accounting in December 1986. Since November 1996, I have been  
accredited as a Certified Government Financial Manager.

Q. Please describe your work background.

A. Prior to employment with the Commission, I was employed as a Tax Auditor  
with the Missouri Highway Reciprocity Commission. I also held a position as a Research  
Analyst with the Division of Family Services.

Q. Please describe your duties while employed with the Commission.

A. From 1987-1993, I conducted rate case audits under the direction of the Chief  
Accountant of the Commission's Accounting Department. From 1993 to the present, I have,  
under the direction of the Manager of Procurement Analysis, conducted audits and

Direct Testimony of  
Phil S. Lock

1 examinations of the books and records of gas utility companies operating within the state of  
2 Missouri.

3 Q. Have you previously filed testimony in cases before this Commission?

4 A. Yes. See Schedule 1 attached to this testimony. I have also prepared  
5 numerous Actual Cost Adjustment (ACA) recommendations since 1993.

6 Q. Did you make an examination and analysis of the books and records of the  
7 Company in regards to matters raised in this case?

8 A. Yes. In regard to matters raised in this case, I have reviewed the natural gas  
9 storage inventory of Atmos.

10 Q. What matters will you address in your direct testimony?

11 A. I will address the gas inventory levels for Atmos' natural gas storage for its  
12 Missouri service territories consisting of the following service territories: Kirksville, Butler,  
13 SEMO, MidState MO (Consolidated) and Colorado/Kansas-Missouri. I will address Staff's  
14 position on bad debt (uncollectible) expense in the PGA. Finally, I will address Staff's  
15 proposal to include ACA documentation in the Company's PGA tariffs.

16 Q. What knowledge, skill, experience, training or education do you have in these  
17 matters?

18 A. I have conducted ACA reviews of regulated gas utilities on a full-time basis  
19 since the fall of 1993. I have participated in prior ACA reviews involving issues raised in  
20 this docket. I have also acquired knowledge of the matters discussed within this case through  
21 meetings, seminars, and gas publications.

22 Q. What is the purpose of your direct testimony?

Direct Testimony of  
Phil S. Lock

1           A.     I am sponsoring natural gas inventory levels included in rate base for the  
2 Company's Kirksville, Butler, SEMO, MidState MO (Consolidated) and Colorado/Kansas-  
3 Missouri service territories. I am addressing Staff's position on the inclusion of uncollectible  
4 expense in the PGA. In addition, I will address Staff's proposal to include ACA  
5 documentation within the Company's PGA tariffs.

6           Q.     Please summarize the issues addressed in your direct testimony.

7           A.     Staff believes that the Company's storage inventory balances for the 13  
8 months ended June 2006 best represents the storage inventory balances on a going forward  
9 basis. The storage inventory balances are included in Staff Schedule 2.

10          Staff supports the recovery of uncollectible expenses in base (non-gas) rates. The  
11 Company's PGA tariffs clearly describe the components that are included in the PGA. The  
12 PGA tariffs do not include uncollectible expenses. Uncollectible expenses to be included in  
13 rates are included in Staff witness Greg Meyer's direct testimony.

14          Staff also supports the inclusion of ACA documentation requirements in the  
15 Company's PGA tariffs. Details of the requirements are included in Staff Schedule 3.

16    **STORAGE INVENTORY**

17          Q.     Please describe those Missouri service territories served by Atmos that have  
18 gas held in inventory.

19          A.     Atmos' service territory in Missouri is composed of the Kirksville System that  
20 is served by ANR Pipeline (ANR); the Butler System that is served by Panhandle Eastern  
21 Pipeline (PEPL); the MidState MO System that is served by Panhandle Eastern Pipeline  
22 (PEPL); the SEMO System that is served by Natural Gas Pipeline Co. (NGPL), Texas  
23 Eastern Transmission Corp. (TETCO), Mississippi River Transmission Corp. (MRT), and

Direct Testimony of  
Phil S. Lock

1 Ozark Gas Transmission, LLC (Ozark). The Colorado/Kansas-Missouri System (formerly  
2 Greeley Gas), is served by Southern Star Central Pipeline (SSCP).

3 Q. Why is gas held in inventory included in rate base?

4 A. Natural gas stored underground represents an investment by Atmos. Natural  
5 gas is purchased and injected into storage during the summer months (April to October) and  
6 held in storage until the winter months (November to March) when it is withdrawn.

7 Q. What gas inventory levels have you used in this case?

8 A. I have attached Schedule 2 that shows the storage inventory balances  
9 supported by Staff.

10 Q. How did Staff determine the storage inventory levels provided in Schedule 2?

11 A. Staff used an average of the natural gas inventory balances for the Company's  
12 Kirksville System, Butler System, SEMO System, MidState MO System and  
13 Colorado/Kansas-Missouri System for the 13 months ended June 2006. This represents an  
14 update to the Company's storage balances for known and measurable changes. Staff used an  
15 average of the storage account balances to represent ongoing inventory levels.

16 Q. Has Staff used this methodology in previous rate cases?

17 A. Yes. Staff believes that this methodology best represents the cost of storage  
18 inventory on a going forward basis.

19 **UNCOLLECTIBLES**

20 Q. Please explain Staff's position on the recovery of uncollectible expenses.

21 A. Staff believes that uncollectibles should be recovered in base rates. This is  
22 because Staff believes that uncollectibles are a margin cost, not a gas cost. Staff's annualized

Direct Testimony of  
Phil S. Lock

1 uncollectible expense was developed by Staff witness Greg Meyer and is discussed in his  
2 testimony.

3 Q. Please provide the costs that are recoverable as a cost of gas in the Company's  
4 PGA?

5 A. Sheet 26 of the Company's PGA tariffs (effective September 19, 2003,) defines the items that are recoverable as a cost of gas in the PGA. The fixed costs are as  
6 follows: fixed pipeline transportation and storage charges, fixed gas supply charges, and  
7 fixed FERC authorized charges. The commodity costs are as follows: producer gas supply  
8 commodity charges, pipeline transmission and gathering commodity charges, expected costs  
9 or cost reductions to be realized for the entire winter period, related storage withdrawals, gas  
10 purchases under fixed-price contracts, and Company's use of financial instruments (except  
11 for call options).

12  
13 Q. Do the expenses previously described in the Company's PGA tariff sheet 26  
14 include provisions for uncollectible expenses?

15 A. No, they do not.

16 Q. What accounts are used to record an uncollectible expense?

17 A. Under the current Uniform System of Accounts, Account 904 is used to  
18 record the uncollectible expense with Account 144 as the allowance for uncollectibles. The  
19 Company's response to Data Request No. 48 confirms those entries.

20 Q. How do other Missouri LDC's recover uncollectible expenses?

21 A. All other Missouri LDC's recover uncollectibles through base rates and  
22 historically all uncollectibles have been recovered through base rates.



Direct Testimony of  
Phil S. Lock

1 **GAS COST TARIFF CHANGE**

2 Q. Please describe Staff's proposed Actual Cost Adjustment (ACA) changes in  
3 the Company's PGA tariffs.

4 A. As part of the Company's PGA requirements, Atmos would provide  
5 documentation supporting their annual gas supply activity for each ACA period. The  
6 documentation is described in detail in Schedule 3 of Staff's Direct Testimony.

7 Q. When would this documentation be required of the Company?

8 A. When the Company submits its annual ACA filing (in October or November)  
9 to the Commission.

10 Q. Does this conclude your Direct Testimony?

11 A. Yes it does.

## SUMMARY OF TESTIMONY

### PHIL S. LOCK

COMPANY NAME	CASE NUMBER	ISSUES
Grand River Mutual Telephone	TR-87-25	Cash Working Capital
Kansas Power and Light Company	GR-89-48	Lost & Unaccounted for Gas
St. Joe Light and Power Company	GR-90-84	PGA Costs
Associated Natural Gas Company	GR-90-152	Revenues, Gas Costs, Bad Debts
United Cities Gas Company	GR-92-21	Take-or-Pay Refunds
Laclede Gas Company	GR-92-165	Weather Normalization, Customer Annualization, Unbilled Revenue, Postage & Card Stock Expense, Uncollectible Accounts, E&D Expense, Gas Expense
United Cities Gas Company	GR-93-47	Revenues, Gas Costs, Uncollectible Expense, Postage Expense, Customer Bypass
Laclede Gas Company	GR-93-149	Transportation within Contract Demand
Laclede Gas Company	GR-94-328	Capacity Reservation Charges
Missouri Public Service	GR-95-273	Capacity Release
Missouri Public Service	GA-97-132	Establish Optimal Gas Cost and Transportation Level
Missouri Public Service	GR-99-435	Put and Call Transactions
Greeley Gas Company	GR-2001-394	Purchasing Practices
Atmos Energy	GR-2001-396	Agency fees, overrun gas, storage, purchasing practices
Aquila Networks D/B/A Missouri Public Service	GR-2001-461	Purchasing Practices, Deferred Carrying Cost Balance, Puts/Calls
Gateway Pipeline Company	GM-2001-585	PGA Costs
Aquila Networks D/B/A Missouri Public Service & L&P	GR-2004-0072	Gas Storage Inventory

<b>STORAGE INVENTORY</b>						
	Kirksville	Butler	SEMO	MidSt MO	CO/KS-MO	Per Book
Month	Div 70	Div 71	Div 72	Div 97	Div 29	Total
Mar-05	592,333	462,661	3,274,868	1,906,648	22,474	
Apr-05	227,276	310,334	1,828,868	829,859	16,712	
May-05	497,675	305,285	1,932,435	1,406,857	33,782	
Jun-05	756,136	361,351	2,268,805	1,893,340	42,916	
Jul-05	1,132,429	521,623	3,003,049	2,607,143	53,625	
Aug-05	1,495,206	717,043	4,011,167	3,495,786	60,534	
Sep-05	1,809,598	877,104	5,064,199	4,029,550	59,440	
Oct-05	2,321,031	1,139,163	6,286,514	4,414,788	59,185	
Nov-05	2,882,201	1,249,123	7,968,508	4,663,260	59,639	
Dec-05	2,620,668	1,191,225	7,969,584	4,299,194	54,485	
Jan-06	1,867,450	1,079,070	7,255,374	3,341,949	46,214	
Feb-06	1,566,814	960,632	6,307,112	2,999,019	56,423	
Mar-06	714,710	606,649	4,133,262	1,549,707	60,935	
Apr-06	97,542	303,887	2,090,326	594,197	3,499	
May-06	416,640	332,884	2,322,812	1,126,189	23,950	
Jun-06	718,039	449,863	2,827,442	1,817,866	36,734	
13 Month Avg June 05 – June 06	\$1,415,266	\$753,047	\$4,731,396	\$2,833,230	\$47,506	\$9,780,446

Concurrently with the Company's annual Actual Cost Adjustment (ACA) filing:

- Provide all documentation to support the Company's ACA to reconcile the Company's actual gas costs with its billed revenues. Provide all documentation of the natural gas purchases (commodity, demand or reservation charges or other charges) of the LDC to support that the claimed costs are properly attributed to the ACA period and that the pipelines, natural gas suppliers, and any other vendors have charged or invoiced the LDC for the volumes nominated and received at the proper rates.
- Provide all documentation to support the prudence of the Company's natural gas supply planning, capacity planning, purchasing practices, and operating decisions for the ACA period.
- Provide all documentation of the financial impact on customers of the LDC's use of its gas supply, transportation and storage contracts.
- Provide an electronic file of all contracts in effect at any time during the ACA period in PDF format. Include copies of all contracts related to the procurement of natural gas including but not limited to transportation, storage, and supply contracts and all schedules and exhibits and letter agreements related to gas procurement, gas costs and/or gas constraints.

The documentation provided should include fully functioning electronic copies.

The term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to the LDC and its employees, contractors, agents or others employed by or acting in its behalf.